

03-30-09

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----- In the Matter of -----

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate
Implementing a Decoupling Mechanism for
Hawaiian Electric Company, Inc., Hawaii
Electric Light Company, Inc. and Maui Electric
Company, Limited.

Docket No. 2008-0274

PUBLIC UTILITIES
COMMISSION

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FILED

HAWAII RENEWABLE ENERGY ALLIANCE
RESPONSE TO INFORMATION REQUESTS TO THE PARTIES

AS

TRANSMITTED BY THE COMMISSION ON MARCH 5, 2009

AND

CERTIFICATE OF SERVICE

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Company, Limited.)	
_____)	

Per the Commission's letter March 5, 2009, the Hawaii Renewable Energy Alliance ("HREA") respectfully submits its response to information requests in the form of questions numbered 24 through 26 and labeled "IR's for other Parties".

- 24. At the technical workshop, the participants discussed that the proposed decoupling adjustment would create a bias for the utility to overstate test year sales and for rate increase opponents to understate test year sales. Please discuss.**

HREA Response.

HREA had been assuming that the one of goals of the instant docket is to ensure that the approved designed decoupling mechanism "would" preclude that from happening. That said, we agree that there was discussion around the potential for the utility to overstate test year sales given the results from the most recent rate case. This in turn could result in higher rate adjustment than needed. However, we do not profess to have a solution or remedy for this situation at the present time, and defer to Haiku Design & Analysis ("HAD") and the CA on this matter

- 25. Sales decoupling, the RAM and REIS as proposed, each either reduce total risk or shift the risk of a utility not achieving the authorized rate of return to customers. Given the changes in risk associated with these revenue adjustment mechanisms please explain:**

a. **Why should the utility be allowed to retain any earnings in excess of the authorized rate of return rather than these earnings in excess of the authorized level being allocated to the benefit of customers? Please suggest a mechanism that could allocate these earnings to customers?**

HREA Response.

Given that the ratepayers will be assuming more risks, in general, with any coupling mechanism, HREA would support some sort of mechanism to return excess earnings. We understand the CA's proposal includes a provision to "return" or "share" earnings in excess of the authorized rate of return. At this time, HREA does not take a position on the CA's proposal in general, and the provision discussed above specifically.

b. **Please discuss the effect the reduction and shift in risk should have on the utilities' authorized rate of return.**

HREA Response:

HREA believes there is an argument in support of "authorized rate of return" and "risk." Specifically, in decoupling if the risk to the utility is reduced, this should translate to a lower risk should result in a lower authorized rate of return. We defer to other Parties as to how this relationship could be quantified and implemented.

26. **Please compare the regulatory cost associated with the proposed RAM and rate cases every two years.**

HREA Response.

HREA believes this is a relevant question, but defers to other Parties as to how such costs might be estimated.

DATED: March 30, 2009, Honolulu, Hawaii


President, HREA

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing response to Commission IRs upon the following parties by hand-delivery and electronic service as follows:

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Date: March 30, 2009